

New Markets Tax Credit Update

What are New Markets Tax Credits?

Federal tax credit program designed to stimulate commercial investment in “low-income communities.” The program is administered by the US Treasury Department through a division called the CDFI Fund, in a unique “public/private partnership” with Community Development Entities (CDEs)

How does the program work?

Through a competitive process, CDEs are delegated authority from the CDFI Fund to sell federal tax credits to third party investors, where the proceeds are used to fund investments (typically structured as low interest rate, convertible loans) in qualifying businesses.

Unlike other tax credit programs, the tax credit does not “belong to” the qualified borrower. It was awarded to the CDE, to be monetized, with the proceeds invested in (or loaned to) a business that qualifies for the subsidy.

How is the New Mexico Finance Authority Involved in NMTCs?

In 2006, NMFA received explicit legislative authority to create a for-profit Limited Liability Company called Finance New Mexico, LLC which became a certified CDE in 2006 and was awarded tax credits in 2007.

To date, Finance New Mexico has been awarded \$201 million in federal New Markets Tax Credits through three applications. Approximately \$151 million of the funds has been invested in projects to date. Currently, Finance New Mexico has approximately \$22 million in credits for projects located in urban areas and \$28 million for projects located in Non-Metro areas of the state.

Finance New Mexico

Finance New Mexico's program focuses on economic development and community development projects. Utilizing a competitive application process, we look for projects with the following characteristics.

Located in a "highly distressed" census tracts (75% of our funds must be invested in these areas):

- Poverty > 30%
- Median Family Income < 60% of statewide
- Unemployment > 1.5 times national average
- Non-metropolitan county (a county that does not contain Metropolitan Statistical Area)

Community impact:

- Tangible community benefit – measured by quality job creation, providing unmet goods & services to low income communities (grocery stores), environmentally sustainable construction, etc.
- Part of an existing plan for economic revitalization
- "But for" test – NMTC fills a real funding gap in the project budget

Ready to go:

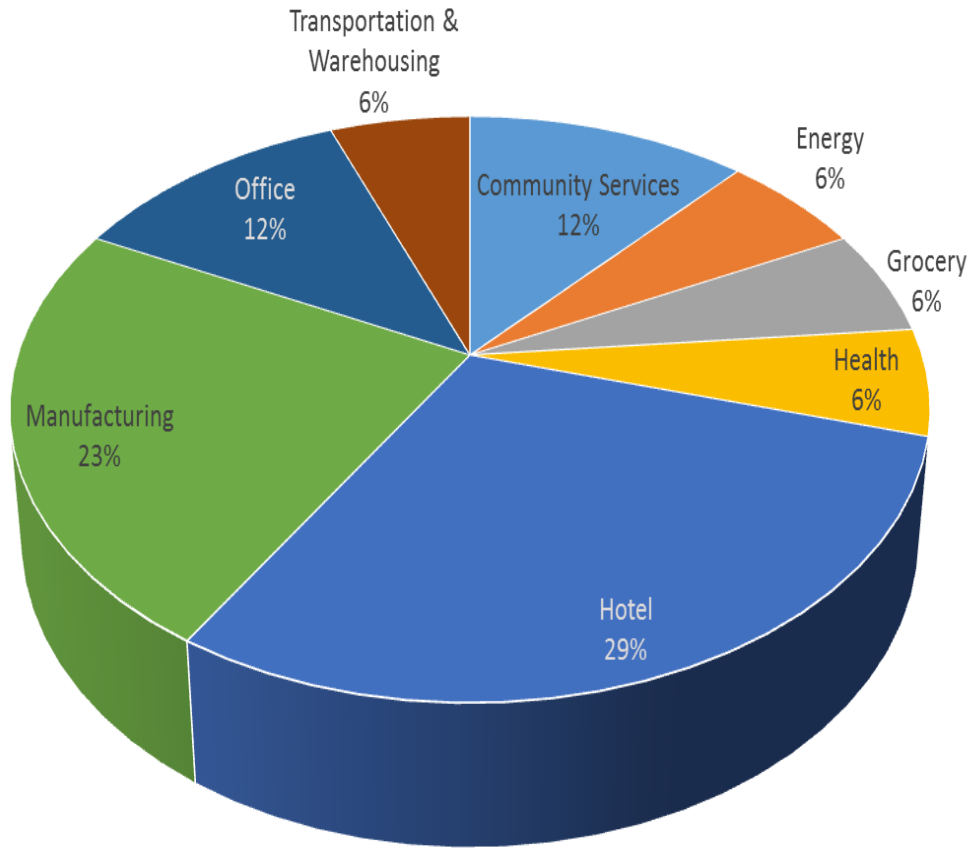
- Other sources of funding are committed
- Project site is controlled by applicant and all approvals are in place

Terms of Finance New Mexico's Funding

Under today's pricing, approximately 25% of a project budget is funded from the sale of the tax credits, which Finance New Mexico loans to qualifying businesses in qualifying census tracts at 2%. The remainder of the funding is secured by the borrower and loaned through Finance New Mexico at the terms negotiated between the borrower and the bank.

Under the NMTC program, no principal payments can be made for seven years. At the end of the seven years, a portion of the tax-credit funded loan is not repaid, the amount of payment is based upon the performance of the borrower.

Finance New Mexico Projects by Industry Sector (2003-2012)



FNM Sub-CDE	Funding Date	Project	Leverage Lender	Investor	Location	NMTC Allocation
Total Finance New Mexico NMTC Allocation						\$ 201,000,000
I	12/31/2008	SCHOTT Solar, Inc.	Schott North American	US Bancorp	Albuquerque	\$ 15,500,000
II	10/5/2009	Savoy Travel Center	Virtual Realty Enterprises	US Bancorp	Deming	\$ 16,500,000
II	6/25/2013	QWP Holdings, LLC	Virtual Realty Enterprises	US Bancorp	Kansas City, MO	\$2,940,000*
III	11/12/2009	Hotel Parq Central	Los Alamos National Bank	US Bancorp	Albuquerque	\$ 6,784,540
IV	11/12/2009	Hotel Parq Central	Los Alamos National Bank	Los Alamos NB	Albuquerque	\$ 7,061,460
V	7/16/2010	Pros Ranch Market	Bank of Albuquerque	US Bancorp	Las Cruces	\$ 12,500,000
VI	9/24/2010	Vitality Works (Closed 9-19-2011)	US Bank	US Bancorp	Albuquerque	\$ 8,000,000
VII	10/7/2011	Molina Healthcare Data Center	Molina Healthcare, Inc.	Wells Fargo	Albuquerque	\$ 10,000,000
VIII	6/29/2012	4Points, LLC	Laguna Pueblo	US Bancorp	Laguna	\$ 23,000,000
IX	6/29/2012	Empresa Development, LLC	Laguna Development Corporation	US Bancorp	Laguna	\$ 10,000,000
X	8/31/2012	Friedman Recycling of Albuquerque	Friedman Recycling Company	US Bancorp	Albuquerque	\$ 15,000,000
XI	9/6/2012	TMS Gallup I, LLC (Closed 9-10-2013)	US Bank	US Bancorp	Gallup	\$ 8,000,000
XII	9/17/2013	4Points Laguna, LLC	Laguna Pueblo	US Bancorp	Laguna	\$ 8,000,000
XIII	12/31/2013	Stauroilite Resources, Inc.	Presbyterian Medical Services	Wells Fargo	Farmington/ Socorro	\$ 11,000,000
Total Closed Deals to Date (excluding Series II Redeployment to QWP Holdings, LLC)						\$ 151,346,000
TOTAL AVAILABLE ALLOCATION						\$ 49,654,000

